



House of Representatives

General Assembly

File No. 91

January Session, 2013

Substitute House Bill No. 6452

House of Representatives, March 20, 2013

The Committee on Labor and Public Employees reported through REP. TERCYAK of the 26th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING THE REQUIREMENT FOR ELECTRONIC FILING OF QUARTERLY UNEMPLOYMENT TAX RETURNS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 31-225a of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective January 1, 2014*):

3 (a) As used in this chapter, "qualified employer" means each
4 employer subject to this chapter whose experience record has been
5 chargeable with benefits for at least one full experience year, with the
6 exception of employers subject to a flat entry rate of contributions as
7 provided under subsection (d) of this section, employers subject to the
8 maximum contribution rate under subsection (c) of section 31-273, and
9 reimbursing employers; "contributing employer" means an employer
10 who is assigned a percentage rate of contribution under the provisions
11 of this section; "reimbursing employer" means an employer liable for
12 payments in lieu of contributions as provided under section 31-225;
13 "benefit charges" means the amount of benefit payments charged to an

14 employer's experience account under this section; "computation date"
15 means June thirtieth of the year preceding the tax year for which the
16 contribution rates are computed; "tax year" means the calendar year
17 immediately following the computation date; "experience year" means
18 the twelve consecutive months ending on June thirtieth; and
19 "experience period" means the three consecutive experience years
20 ending on the computation date, except that if the employer's account
21 has been chargeable with benefits for less than three years, the
22 experience period shall consist of the greater of one or two consecutive
23 experience years ending on the computation date.

24 (b) (1) The administrator shall maintain for each employer, except
25 reimbursing employers, an experience account in accordance with the
26 provisions of this section. (2) With respect to each benefit year
27 commencing on or after July 1, 1978, regular and additional benefits
28 paid to an individual shall be allocated and charged to the accounts of
29 the employers who paid him wages in his base period in accordance
30 with the following provisions: The initial determination establishing a
31 claimant's weekly benefit rate and maximum total benefits for his
32 benefit year shall include, with respect to such claimant and such
33 benefit year, a determination of the maximum liability for such
34 benefits of each employer who paid wages to the claimant in his base
35 period. An employer's maximum total liability for such benefits with
36 respect to a claimant's benefit year shall bear the same ratio to the
37 maximum total benefits payable to the claimant as the total wages paid
38 by the employer to the claimant within his base period bears to the
39 total wages paid by all employers to the claimant within his base
40 period. This ratio shall also be applied to each benefit payment. The
41 amount thus determined, rounded to the nearest dollar with fractions
42 of a dollar of exactly fifty cents rounded upward, shall be charged to
43 the employer's account.

44 (c) (1) (A) Any week for which the employer has compensated the
45 claimant in the form of wages in lieu of notice, dismissal payments or
46 any similar payment for loss of wages shall be considered a week of
47 employment for the purpose of determining employer chargeability.

48 (B) No benefits shall be charged to any employer who paid wages of
49 five hundred dollars or less to the claimant in his base period. (C) No
50 dependency allowance paid to a claimant shall be charged to any
51 employer. (D) In the event of a natural disaster declared by the
52 President of the United States, no benefits paid on the basis of total or
53 partial unemployment which is the result of physical damage to a
54 place of employment caused by severe weather conditions including,
55 but not limited to, hurricanes, snow storms, ice storms or flooding, or
56 fire except where caused by the employer, shall be charged to any
57 employer. (E) If the administrator finds that (i) an individual's most
58 recent separation from a base period employer occurred under
59 conditions which would result in disqualification by reason of
60 subdivision (2), (6) or (9) of subsection (a) of section 31-236, or (ii) an
61 individual was discharged for violating an employer's drug testing
62 policy, provided the policy has been adopted and applied consistent
63 with sections 31-51t to 31-51aa, inclusive, section 14-261b and any
64 applicable federal law, no benefits paid thereafter to such individual
65 with respect to any week of unemployment which is based upon
66 wages paid by such employer with respect to employment prior to
67 such separation shall be charged to such employer's account, provided
68 such employer shall have filed a notice with the administrator within
69 the time allowed for appeal in section 31-241. (F) No base period
70 employer's account shall be charged with respect to benefits paid to a
71 claimant if such employer continues to employ such claimant at the
72 time the employer's account would otherwise have been charged to the
73 same extent that he employed him during the individual's base period,
74 provided the employer shall notify the administrator within the time
75 allowed for appeal in section 31-241. (G) If a claimant has failed to
76 accept suitable employment under the provisions of subdivision (1) of
77 subsection (a) of section 31-236 and the disqualification has been
78 imposed, the account of the employer who makes an offer of
79 employment to a claimant who was a former employee shall not be
80 charged with any benefit payments made to such claimant after such
81 initial offer of reemployment until such time as such claimant resumes
82 employment with such employer, provided such employer shall make

83 application therefor in a form acceptable to the administrator. The
84 administrator shall notify such employer whether or not his
85 application is granted. Any decision of the administrator denying
86 suspension of charges as herein provided may be appealed within the
87 time allowed for appeal in section 31-241. (H) Fifty per cent of benefits
88 paid to a claimant under the federal-state extended duration
89 unemployment benefits program established by the federal
90 Employment Security Act shall be charged to the experience accounts
91 of the claimant's base period employers in the same manner as the
92 regular benefits paid for such benefit year. (I) No base period
93 employer's account shall be charged with respect to benefits paid to a
94 claimant who voluntarily left suitable work with such employer (i) to
95 care for a seriously ill spouse, parent or child or (ii) due to the
96 discontinuance of the transportation used by the claimant to get to and
97 from work, as provided in subparagraphs (A)(ii) and (A)(iii) of
98 subdivision (2) of subsection (a) of section 31-236.

99 (2) All benefits paid which are not charged to any employer shall be
100 pooled.

101 (3) The noncharging provisions of this chapter, except subdivisions
102 (1)(D) and (1)(F) of this subsection, shall not apply to reimbursing
103 employers.

104 (d) The standard rate of contributions shall be five and four-tenths
105 per cent. Each employer who has not been chargeable with benefits, for
106 a sufficient period of time to have his rate computed under this section
107 shall pay contributions at a rate that is the higher of (1) one per cent, or
108 (2) the state's five-year benefit cost rate. For purposes of this
109 subsection, the state's five-year benefit cost rate shall be computed
110 annually on or before June thirtieth and shall be derived by dividing
111 the total dollar amount of benefits paid to claimants under this chapter
112 during the five consecutive calendar years immediately preceding the
113 computation date by the five-year payroll during the same period. If
114 the resulting quotient is not an exact multiple of one-tenth of one per
115 cent, the five-year benefit cost rate shall be the next higher such

116 multiple.

117 (e) (1) As of each June thirtieth, the administrator shall determine
 118 the charged tax rate for each qualified employer. Said rate shall be
 119 obtained by calculating a benefit ratio for each qualified employer. The
 120 employer's benefit ratio shall be the quotient obtained by dividing the
 121 total amount chargeable to the employer's experience account during
 122 the experience period by the total of his taxable wages during such
 123 experience period which have been reported by the employer to the
 124 administrator on or before the following September thirtieth. The
 125 resulting quotient, expressed as a per cent, shall constitute the
 126 employer's charged tax rate. If the resulting quotient is not an exact
 127 multiple of one-tenth of one per cent, the charged rate shall be the next
 128 higher such multiple, except that if the resulting quotient is less than
 129 five-tenths of one per cent, the charged rate shall be five-tenths of one
 130 per cent and if the resulting quotient is greater than five and four-
 131 tenths per cent, the charged rate shall be five and four-tenths per cent.
 132 The employer's charged tax rate will be in accordance with the
 133 following table:

T1	Employer's Charged Tax Rate Table	
T2		Employer's Charged
T3	Employer's Benefit Ratio	Tax Rate
T4	.005 or less	.5% minimum subject
T5	.006	.6% to fund
T6	.007	.7% solvency
T7	.008	.8% adjustment
T8	.009	.9%
T9	.010	1.0%
T10	.011	1.1%
T11	.012	1.2%
T12	.013	1.3%
T13	.014	1.4%
T14	.015	1.5%
T15	.016	1.6%

T16	.017	1.7%
T17	.018	1.8%
T18	.019	1.9%
T19	.020	2.0%
T20	.021	2.1%
T21	.022	2.2%
T22	.023	2.3%
T23	.024	2.4%
T24	.025	2.5%
T25	.026	2.6%
T26	.027	2.7%
T27	.028	2.8%
T28	.029	2.9%
T29	.030	3.0%
T30	.031	3.1%
T31	.032	3.2%
T32	.033	3.3%
T33	.034	3.4%
T34	.035	3.5%
T35	.036	3.6%
T36	.037	3.7%
T37	.038	3.8%
T38	.039	3.9%
T39	.040	4.0%
T40	.041	4.1%
T41	.042	4.2%
T42	.043	4.3%
T43	.044	4.4%
T44	.045	4.5%
T45	.046	4.6%
T46	.047	4.7%
T47	.048	4.8%
T48	.049	4.9%
T49	.050	5.0%
T50	.051	5.1%

T51	.052	5.2%
T52	.053	5.3%
T53	.054 & higher	5.4% maximum subject
T54		to fund solvency
T55		adjustment

134 (2) (A) Each contributing employer subject to this chapter shall pay
135 an assessment to the administrator at a rate established by the
136 administrator sufficient to pay interest due on advances from the
137 federal unemployment account under Title XII of the Social Security
138 Act (42 U.S. Code Sections 1321 to 1324). The administrator shall
139 establish the necessary procedures for payment of such assessments.
140 The amounts received by the administrator based on such assessments
141 shall be paid over to the State Treasurer and credited to the General
142 Fund. Any amount remaining from such assessments, after all such
143 federal interest charges have been paid, shall be transferred to the
144 Employment Security Administration Fund or to the Unemployment
145 Compensation Advance Fund established under section 31-264a, (i) to
146 the extent that any federal interest charges have been paid from the
147 Unemployment Compensation Advance Fund, (ii) to the extent that
148 the administrator determines that reimbursement is appropriate, or
149 (iii) otherwise to the extent that reimbursement of the advance fund is
150 the appropriate accounting principle governing the use of the
151 assessments. Sections 31-265 to 31-274, inclusive, shall apply to the
152 collection of such assessments.

153 (B) On and after January 1, 1994, and conditioned upon the issuance
154 of any revenue bonds pursuant to section 31-264b, each contributing
155 employer shall also pay an assessment to the administrator at a rate
156 established by the administrator sufficient to pay the interest due on
157 advances from the Unemployment Compensation Advance Fund and
158 reimbursements required for advances from the Unemployment
159 Compensation Advance Fund, computed in accordance with
160 subsection (h) of section 31-264a. The administrator shall establish the
161 assessments as a percentage of the charged tax rate for each employer
162 pursuant to subdivision (1) of this subsection. The administrator shall

163 establish the necessary procedures for billing, payment and collection
164 of the assessments. Sections 31-265 to 31-274, inclusive, shall apply to
165 the collection of such assessments by the administrator. The payments
166 received by the administrator based on the assessments, excluding
167 interest and penalties on past due assessments, are hereby pledged and
168 shall be paid over to the State Treasurer for credit to the
169 Unemployment Compensation Advance Fund.

170 (f) (1) For each calendar year commencing with calendar year 1994
171 but prior to calendar year 2013, the administrator shall establish a fund
172 balance tax rate sufficient to maintain a balance in the Unemployment
173 Compensation Trust Fund equal to eight-tenths of one per cent of the
174 total wages paid to workers covered under this chapter by
175 contributing employers during the year ending the last preceding June
176 thirtieth. If the fund balance tax rate established by the administrator
177 results in a fund balance in excess of said per cent as of December
178 thirtieth of any year, the administrator shall, in the year next following,
179 establish a fund balance tax rate sufficient to eliminate the fund
180 balance in excess of said per cent. For each calendar year commencing
181 with calendar year 2013, the administrator shall establish a fund
182 balance tax rate sufficient to maintain a balance in the Unemployment
183 Compensation Trust Fund that results in an average high cost multiple
184 equal to 0.5. Commencing with calendar year 2014 and ending with
185 calendar year 2018, the administrator shall establish a fund balance tax
186 rate sufficient to maintain a balance in the Unemployment
187 Compensation Trust Fund that results in an average high cost multiple
188 that is increased by 0.1 from the preceding calendar year. Commencing
189 with calendar year 2019, the administrator shall establish a fund
190 balance tax rate sufficient to maintain a balance in the Unemployment
191 Compensation Trust Fund that results in an average high cost multiple
192 equal to 1.0. If the fund balance tax rate established by the
193 administrator results in a fund balance in excess of the amount
194 prescribed in this subdivision as of December thirtieth of any year, the
195 administrator shall, in the year next following, establish a fund balance
196 rate sufficient to eliminate the fund balance in excess of said amount.
197 The assessment levied by the administrator at any time (A) during a

198 calendar year commencing on or after January 1, 1994, but prior to
199 January 1, 1999, shall not exceed one and five-tenths per cent, (B)
200 during a calendar year commencing on or after January 1, 1999, shall
201 not exceed one and four-tenths per cent, and shall not be calculated to
202 result in a fund balance in excess of eight-tenths of one per cent of such
203 total wages, and (C) during a calendar year commencing on or after
204 January 1, 2013, shall not exceed one and four-tenths per cent and shall
205 not be calculated to result in a fund balance in excess of the amounts
206 prescribed in this subdivision.

207 (2) The average high cost multiple shall be computed as follows:
208 The result of the balance of the Unemployment Compensation Trust
209 Fund on December thirtieth immediately preceding the new rate year
210 divided by the total wages paid to workers covered under this chapter
211 by contributing employers for the twelve months ending on the
212 December thirtieth immediately preceding the new rate year shall be
213 the numerator and the average of the three highest calendar benefit
214 cost rates in (A) the last twenty years, or (B) a period including the last
215 three recessions, whichever is longer, shall be the denominator. Benefit
216 cost rates are computed as benefits paid including the state's share of
217 extended benefits but excluding reimbursable benefits as a per cent of
218 total wages in covered employment. The results rounded to the next
219 lower one decimal place will be the average high cost multiple.

220 (g) Each qualified employer's contribution rate for each calendar
221 year after 1973 shall be a percentage rate equal to the sum of his
222 charged tax rate as of the June thirtieth preceding such calendar year
223 and the fund balance tax rate as of December thirtieth preceding such
224 calendar year.

225 (h) (1) With respect to each benefit year commencing on or after July
226 1, 1978, notice of determination of the claimant's benefit entitlement for
227 such benefit year shall include notice of the allocation of benefit
228 charges of the claimant's base period employers and each such
229 employer shall be mailed a copy of such notice of determination and
230 shall be an interested party thereto. Such determination shall be final

231 unless the claimant or any of such employers files an appeal from such
232 decision in accordance with the provisions of section 31-241. (2) The
233 administrator shall, not less frequently than once each calendar
234 quarter, mail a statement of charges to each employer to whose
235 experience record any charges have been made since the last previous
236 such statement. Such statement shall show, with respect to each week
237 for which benefits have been paid and charged, the name and Social
238 Security account number of the claimant who was paid the benefit, the
239 amount of the benefits charged for such week and the total amount
240 charged in the quarter. (3) The statement of charges provided for in
241 subdivision (2) of this subsection shall constitute notice to the
242 employer that it has been determined that the benefits reported in such
243 statement were properly payable under this chapter to the claimants
244 for the weeks and in the amounts shown in such statements. If the
245 employer contends that benefits have been improperly charged due to
246 fraud or error, a written protest setting forth reasons therefor shall be
247 filed with the administrator within sixty days of the mailing date of the
248 quarterly statement. An eligibility issue shall not be reopened on the
249 basis of such quarterly statement if notification of such eligibility issue
250 had previously been given to the employer under the provisions of
251 section 31-241, and he failed to file a timely appeal therefrom or had
252 the issue finally resolved against him.

253 (i) (1) At the written request of any employer which holds at least
254 eighty per cent controlling interest in another employer or employers,
255 the administrator may mingle the experience rating records of such
256 dominant and controlled employers as if they constituted a single
257 employer, subject to such regulations as the administrator may make
258 and publish concerning the establishment, conduct and dissolution of
259 such joint experience rating records. (2) The executors, administrators,
260 successors or assigns of any former employer shall acquire the
261 experience rating records of the predecessor employer with the
262 following exception: The experience of a predecessor employer, who
263 leased premises and equipment from a third party and who has not
264 transferred any assets to the successor, shall not be transferred if there
265 is no common controlling interest in the predecessor and successor

266 entities. (3) The administrator is authorized to establish such
267 regulations governing joint accounts as may be necessary to comply
268 with the requirements of the federal Unemployment Tax Act.

269 (j) (1) Each employer subject to this chapter shall submit quarterly,
270 on forms supplied by the administrator, a listing of wage information,
271 including the name of each employee receiving wages in employment
272 subject to this chapter, such employee's Social Security account
273 number and the amount of wages paid to such employee during such
274 calendar quarter.

275 (2) Commencing with the first calendar quarter of [1991] 2014, each
276 employer subject to this chapter who reports wages for [two hundred
277 fifty or more] employees receiving wages in employment subject to
278 this chapter, and each person or organization that, as an agent, reports
279 wages for [a total of two hundred fifty or more] employees receiving
280 wages in employment subject to this chapter on behalf of one or more
281 employers subject to this chapter shall submit quarterly the
282 information required by subdivision (1) of this subsection on magnetic
283 tape, diskette, or other similar electronic means which the
284 administrator may prescribe, in a format prescribed by the
285 administrator, unless such employer or agent [demonstrates to the
286 satisfaction of the administrator that it lacks the technological
287 capability to report such information in accordance with this
288 subdivision] receives a waiver pursuant to subdivision (5) of this
289 subsection.

290 (3) Any employer that fails to submit the information required by
291 subdivision (1) of this subsection in a timely manner, as determined by
292 the administrator, shall be liable to the administrator for a late filing
293 fee of twenty-five dollars. All fees collected by the administrator under
294 this subdivision shall be deposited in the Employment Security
295 Administration Fund.

296 (4) Commencing with the first calendar quarter of [2009] 2014, each
297 employer subject to this chapter who makes contributions or payments
298 in lieu of contributions for [two hundred fifty or more] employees

299 receiving wages in employment subject to this chapter, and each
 300 person or organization that, as an agent, makes contributions or
 301 payments in lieu of contributions for [a total of two hundred fifty or
 302 more] employees receiving wages in employment subject to this
 303 chapter on behalf of one or more employers subject to this chapter
 304 shall make such contributions or payments in lieu of contributions
 305 electronically.

306 (5) Any employer or any person or organization that, as an agent,
 307 submits information pursuant to subdivision (2) of this subsection or
 308 makes contributions or payments in lieu of contributions pursuant to
 309 subdivision (4) of this subsection may request in writing, not later than
 310 thirty days prior to the date a submission of information or a
 311 contribution or payment in lieu of contribution is due, that the
 312 administrator waive the requirement that such submission or
 313 contribution or payment in lieu of contribution be made electronically.
 314 The administrator shall grant such request if, on the basis of
 315 information provided by such employer or person or organization and
 316 on a form prescribed by the administrator, the administrator finds that
 317 there would be undue hardship for such employer or person or
 318 organization. The administrator shall promptly inform such employer
 319 or person or organization of the granting or rejection of the requested
 320 waiver. The decision of the administrator shall be final and not subject
 321 to further review or appeal. Such waiver shall be effective for twelve
 322 months from the date such waiver is granted.

323 (k) The employer may inspect his account records in the office of the
 324 Employment Security Division at any reasonable time.

This act shall take effect as follows and shall amend the following sections:		
Section 1	January 1, 2014	31-225a

LAB *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note**State Impact:**

Agency Affected	Fund-Effect	FY 14 \$	FY 15 \$
Labor Dept.	Employment Security Administration Fund - Savings	Approx. \$100,000	Approx. \$200,000

Municipal Impact:

Municipalities	Effect	FY 14 \$	FY 15 \$
Various Municipalities	Savings	Minimal	Minimal

Explanation

The bill requires employers with fewer than 250 employees to file quarterly tax returns and wage reports to the Department of Labor (DOL) electronically, and requires reimbursing employers with fewer than 250 employees to pay reimbursements electronically. The state and municipalities are classified as reimbursing employers.

There is a savings to DOL of approximately \$200,000 annually (\$100,000 in FY 14 due to the January 1 effective date) associated with reduced data entry costs. Currently, DOL contracts with a third-party vendor to file tax returns received by paper each quarter. The third-party vendor charges DOL based on the size of the reports it receives. Approximately 35,000-40,000 employers file tax returns by paper each quarter.

Municipalities with fewer than 250 employees that 1) file wage reports by paper and/or 2) pay their reimbursements by paper would achieve a minimal savings associated with reduced paper and postage

costs.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

Sources: Department of Labor

OLR Bill Analysis**sHB 6452*****AN ACT CONCERNING THE REQUIREMENT FOR ELECTRONIC FILING OF QUARTERLY UNEMPLOYMENT TAX RETURNS.*****SUMMARY:**

Beginning with the first calendar quarter of 2014, this bill requires all employers subject to the state's unemployment law, or their reporting agents, to submit their quarterly wage reports to the Department of Labor (DOL) on magnetic tape, diskette, or other electronic means prescribed by the department. It also requires all employers, or their agents, that directly reimburse the unemployment system for benefits paid to former employees (e.g. state and local governments) to pay electronically. Under current law, both requirements apply only to employers with 250 or more employees, although employers are exempt from the electronic reporting requirement if they can show that they are technologically incapable of meeting it.

The bill allows employers, or their agents, to request a waiver from the electronic reporting and electronic reimbursement requirements. It requires them to submit a written request for a waiver on a DOL-prescribed form at least 30 days before the wage report or reimbursement payment is due. The labor commissioner must grant the request if, based on the information submitted by the employer or agent, she finds that the requirement would cause an undue hardship. The commissioner must promptly notify the employer or agent of her decision, which cannot be further reviewed or appealed. If granted, a waiver is good for one year.

EFFECTIVE DATE: January 1, 2014

BACKGROUND

Related Bill

HB 6450, favorably reported by the Labor and Public Employees Committee, establishes a \$50 fee for employers that fail to submit their required quarterly wage reports under a proper state unemployment compensation registration number.

COMMITTEE ACTION

Labor and Public Employees Committee

Joint Favorable Substitute

Yea 10 Nay 1 (03/07/2013)